

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 2290**

February 12, 2014

**SUMMARY OF BILL:** Authorizes small contractors to report nonpayment grievances to the Department of Economic and Community Development (ECD). Defines a small contractor as a person or entity with less than 100 employees that contracts with a state-funded business enterprise or the enterprise's general contractor or subcontractor for the performance of a contract or any part of the contract. Requires state-funded business enterprises, defined as entities with more than 500 employees that receive or are authorized to receive state funds, that enter directly into a contract with any general contractor, subcontractor, or small contractor to file a monthly report with ECD, which shall include: the number of contractors under contract; the number of any nonpayment grievances reported to the enterprise by small contractors; and a statement of any civil actions or arbitration proceedings instituted by any small contractor that allege breach of contract for nonpayment by the enterprise or its general contractor or subcontractor. Requires ECD to report, by February 1 of each year, to the Senate Commerce and Labor Committee and the House Business and Utilities Committee the information reported by each state-funded business enterprise, including the number of all nonpayment grievances reported by small contractors that are minority-owned or woman-owned businesses. Requires ECD to withhold a certain portion of state funds available for distribution to a state-funded business enterprise if such enterprise has received a certain number of grievances.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$285,600/FY14-15  
\$229,000/FY15-16 and Subsequent Years**

**Assumptions:**

- According to ECD, the proposed bill would add a regulatory function to the Department that it currently does not have the infrastructure or expertise to handle.
- As a result, one additional attorney and two regulatory board investigators will be required, resulting in a recurring increase in state expenditures of \$209,034 (\$139,720 salary + \$38,014 benefits + \$31,300 travel, rentals and insurance, supplies and materials), and an increase in one-time expenditures of \$6,600 (\$4,800 computer related + \$1,800 training).
- According to ECD, the development of a tracking database will result in a one-time increase in state expenditures of \$70,000. Recurring increase in state expenditures

associated with the maintenance of the database is estimated to be \$20,000, beginning with FY15-16.

- The total increase in state expenditures is estimated to be \$285,634 (\$209,034 + \$6,600 + \$70,000) in FY14-15, and \$229,034 (\$209,034 + \$20,000) in FY15-16 and subsequent years.
- Any portions of state funds withheld from state-funded business enterprises will be granted to other eligible enterprises.

## **IMPACT TO COMMERCE:**


### **NOT SIGNIFICANT**

Assumptions:

- The provisions of this bill will not result in a significant impact on the commerce and private sector jobs in Tennessee.
- Any state funds withheld from state-funded business enterprises will be granted to other eligible enterprises.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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